

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
ALEXANDRIA DIVISION

FILED

2006 SEP 22 P 5:14

CLERK US DISTRICT COURT  
ALEXANDRIA, VIRGINIA

ALCATEL USA RESOURCES, INC.,  
a Delaware Corporation,

Plaintiff,

v.

Civ. Action No. 1:06CV 1089

LMB/TRJ

JON W. DUDAS,  
Under Secretary Of Commerce  
For Intellectual Property And  
Director Of The United States  
Patent And Trademark Office

Defendant.

OFFICE OF THE  
GENERAL COUNSEL  
U.S. PATENT  
AND  
TRADEMARK OFFICE  
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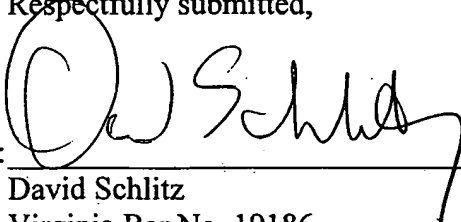
**PLAINTIFF ALCATEL'S MOTION FOR PRELIMINARY INJUNCTION**

Plaintiff Alcatel USA Resources, Inc. moves for a preliminary injunction pursuant to Fed. R. Civ. P. 65(a) restraining and enjoining Defendant Jon W. Dudas, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (hereinafter the "Director") from proceeding with *inter partes* reexamination 95/000,167 of U.S. Patent No. 6,874,090 (hereinafter the "'090 patent"), or in the alternative permanently enjoining the Director from proceeding with *inter partes* reexamination 95/000,167 of the '090 patent, and an order terminating same.

Dated: September 22, 2006

Respectfully submitted,

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SEP 25 PM 2:21

OFFICE OF THE  
GENERAL COUNSEL

**MEMORANDUM IN SUPPORT OF PLAINTIFF ALCATEL'S  
MOTION FOR PRELIMINARY INJUNCTION**

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## INTRODUCTION

This is an action under the Administrative Procedure Act (“APA”) seeking, *inter alia*, a preliminary and permanent injunction against Defendant Jon W. Dudas, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (the “Director”), precluding the United States Patent and Trademark Office (“PTO”) from proceeding with an *inter partes* reexamination of U.S. Patent No. 6,874,090 (“the ‘090 patent”), which is owned by the Plaintiff Alcatel USA Resources, Inc. (“Alcatel”). That reexamination has been assigned U.S. Serial No. 95/000,167 (“the ‘167 Reexamination”).

The instant motion seeks a stay of the ‘167 Reexamination pending a full hearing on the merits. However, given that the issues raised in this action are purely legal in nature, the Plaintiff submits that this case is ripe for a decision on the merits and requests same.

On the merits, Plaintiff seeks a termination of the ‘167 Reexamination. The basis for the instant action is that the ‘090 patent is not the proper subject of an *inter partes* reexamination under the American Inventors Protection Act (“AIPA”), the statute that established the *inter partes* reexamination procedure. The AIPA precludes *inter partes* reexaminations of any “original application” not filed on or after November 29, 1999. The original application corresponding to the ‘090 patent was filed on June 13, 1997, thus placing the ‘090 patent outside of the purview of the statute.<sup>1</sup>

## FACTS

### **I. Statutory & Regulatory Background**

Congress established the *inter partes* reexamination procedure in Sections 4601–4608 of the AIPA, Pub. L. No. 106-116, 113 Stat. 1501, 1501A-567 through 1501A-572 (1999).

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<sup>1</sup> In addition, the suit seeks a declaration setting aside the PTO’s rules on the scope of the AIPA as facially invalid—an issue which the Court could choose to decide either together with or separate from this preliminary injunction hearing.

This procedure was codified in 35 U.S.C. §§ 311-318. While the *inter partes* reexamination procedure available under AIPA is similar in many ways to the *ex parte* reexamination procedure otherwise available, significant differences exist. Both *ex parte* and *inter partes* reexaminations are initiated by a requestor (the “third-party requestor”) submitting a request for reexamination pointing out substantial new question of patentability. Compare 35 U.S.C. §§ 301-302 (*ex parte*), with *id.* § 311 (*inter partes*). In both reexamination procedures, the PTO reviews the request for reexamination and, if it determines that one or more substantial new questions of patentability exist, then the Director orders reexamination of the patent. See *id.* §§ 303-304, 312-313. Once the reexamination request has been granted, however, the two reexamination procedures diverge significantly.

In an *ex parte* reexamination, the patent owner may file a statement disputing the Director’s determination that a substantial new question of patentability exists. 37 C.F.R. § 1.530(b). If the patent owner files such a statement, the third-party requestor is able to respond to the statement. *Id.* § 1.535. The third-party requestor’s participation in the proceeding ends with a response to the patent owner’s statement. The PTO then issues an office action setting forth rejections of one or more claims. 35 U.S.C. § 305; 37 C.F.R. § 1.550. The patent owner responds with claim amendments and/or arguments, and the process repeats until the examiner issues an action closing prosecution. 35 U.S.C. § 305; 37 C.F.R. § 1.530. The patent owner interviews with the examiner in person or via telephone. 37 C.F.R. § 1.560. After prosecution closes, the patent owner may appeal to the Board of Patent Appeal and Interferences (“BPAI”) and thereafter to the United States Court of Appeals for the Federal Circuit (“Federal Circuit”). 35 U.S.C. § 306.

In an *inter partes* reexamination, the patent owner is not permitted to file any paper until a first office action is issued. See 37 C.F.R. § 1.939(b). After the patent owner responds to the office action, the third-party requestor may in turn respond to the patent owner's response before the examiner issues a further office action or an action closing prosecution. 35 U.S.C. § 314. No examiner interviews are allowed during an *inter partes* reexamination. 37 C.F.R. § 1.955. After prosecution of the *inter partes* reexamination closes, both the patent owner and third-party requestor may appeal the outcome of the reexamination to the BPAI and thereafter to the Federal Circuit. 35 U.S.C. § 315.

The *inter partes* examination procedure was created by the AIPA. Section 4608 of the AIPA states that it "shall apply to any patent that issues from an original application filed in the United States on or after [November 29, 1999]."<sup>2</sup> The term "original application" is not defined by the AIPA.

After the AIPA was enacted, the PTO issued a notice in the Official Gazette of April 11, 2000. The notice in the Official Gazette stated that "[t]his notice addresses several of the changes created by the [AIPA] which do not require rulemaking to implement," and went on to state:

The phrase "original application" is interpreted to encompass utility, plant and design applications, including first filed applications, continuations, divisionals, continuations-in-part, continued prosecution applications (CPAs) and the national stage phase of international applications. This interpretation is consistent with the use of the phrase in 35 U.S.C. 251 and the federal rules pertaining to reexamination. In addition, section 201.04(a) of the Manual of Patent Examination and Procedure (M.P.E.P.) defines an original application as ". . . an application which is not a reissue application." Section 201.04(a) of the M.P.E.P. further states that "[a]n original application may be a first filing or a

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<sup>2</sup> The text actually does not state the exact date, but indicates the date to be the "date of enactment of [the] Act." The act was signed into law on November 29, 1999.

continuing application.” Therefore, the Optional Inter Partes Reexamination Procedure is applicable to patents which issue from all applications (except for reissues) filed on or after November 29, 1999. A patent which issued from an application filed prior to November 29, 1999 with a request for continued examination (defined in section 4403 of the Act) on or after May 29, 2000, however, is not eligible for the Optional Inter Partes Reexamination Procedure. A request for continued examination is not considered a filing of an application.

Guidelines Concerning the Implementation of Changes to 35 USC 102(g) and 103(c) and the Interpretation of the Term "Original Application" in the American Inventors Protection Act of 1999, 1233 Off. Gaz. Pat. Office 54 (April 11, 2000).

In May, 2004,<sup>3</sup> the interpretation from the April 11, 2000 Official Gazette was further formalized by incorporation into the Manual of Patent Examination Procedure (“M.P.E.P.”) at § 2611, which is virtually identical to the Official Gazette notice.

Contrary to what is stated in the Official Gazette notice and M.P.E.P., the term “original application” does not appear in 35 U.S.C. § 251. Instead, that section uses the term “original patent.” The phrase “original application” appears in only one section of the 1952 patent act, 35 U.S.C. § 121, which states that “a divisional application which complies with the requirements of section 120 of this title shall be entitled to the benefit of the filing date of the original application.”

## **II. Background of the '167 Reexamination**

The '090 patent stems from a patent application filed on June 13, 1997 and assigned U.S. Serial No. 08/874,754 (“the '754 Application”). A continuation application of the

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<sup>3</sup> See M.P.E.P. Blue Pages, p. 48 (8th ed., Rev. 2, May 2004) (“New Chapter 2600 added to set forth policies and procedures pertaining to optional *inter partes* reexamination”).

'754 Application was filed on March 15, 2000.<sup>4</sup> The continuation application was identified by U.S. Serial No. 09/525,506, (“the '506 Application”) and later issued as U.S. Patent No. 6,070,243 (the '243 patent). A continuation application claiming priority to the '506 Application was then filed on June 21, 2001. The continuation application filed on June 21, 2001 was assigned U.S. Serial No. 09/886,930 (“the '930 Application”) and later issued as the '090 patent. Plaintiff Alcatel is the sole owner of the '090 patent by virtue of an assignment from the inventors of the '090 patent and related predecessor and affiliated corporate entities.

Following a protracted licensing negotiation, Alcatel has sued Foundry Networks, Inc. (“Foundry”) for infringement of a number of patents, including the '090 patent. *See Alcatel USA Resources, Inc. v. Foundry Networks, Inc.*, No. 05cv418-SLR (D. Del., filed June 21, 2005) (the “Underlying Patent Lawsuit”). Trial is set for April 27, 2007. Scheduling Order, *Alcatel USA Resources, Inc. v. Foundry Networks, Inc.*, No. 05cv418-SLR, at 6 (D. Del. Oct. 12, 2005).

On August 7, 2006, seemingly not satisfied with the prospect of having the Delaware District Court decide the validity of the '090 patent, Foundry filed a Request for *Inter Partes* Reexamination of the '090 patent with the PTO. The PTO accepted Foundry’s request and is proceeding with review of the request by an examiner.<sup>5</sup> *See* 37 C.F.R. § 1.904.

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<sup>4</sup> A continuation application is a separate application that is filed during the pendency of an earlier-filed application and that claims priority to the earlier-filed application. 37 C.F.R. § 1.78. A continuation application may not expand the disclosure of the earlier-filed application, but it may include different claims. *Id.* §§ 1.53, 1.78. A continuation application has the same effective filing date as the earlier-filed application to which it claims priority. 35 U.S.C. § 120.

<sup>5</sup> The PTO’s Patent Application Information Retrieval system states that the case was docketed to an examiner on August 15, 2006 and that a notice of reexamination was published in the Official Gazette on September 5, 2006.

### SUMMARY OF ARGUMENT

Section 4608 of the AIPA does not permit *inter partes* reexamination of patents (such as the '090 patent) stemming from an "original application" filed before November 29, 1999. The Director has acted arbitrarily and capriciously, and has violated the statute, in concluding that a patent stemming from a first application filed before that date may be the subject of an *inter partes* reexamination based on a post-1999 continuation. As a result, the Director's acceptance of the '167 Reexamination is improper and *ultra virus*. Furthermore, the Official Gazette notice and M.P.E.P. § 2611 are facially invalid under section 4608 of the AIPA. Allowing the PTO to proceed with the '167 Reexamination will cause extreme harm to Plaintiff Alcatel. The balance of equities strongly favors granting a preliminary (and permanent) injunction.

### ARGUMENT

Courts generally weigh four factors when determining whether to grant a motion for preliminary injunction: 1) the likelihood of irreparable harm to the plaintiff if the preliminary injunction is not granted; 2) the likelihood of harm to the defendant if the preliminary injunction is granted; 3) the likelihood that the plaintiff will succeed on the merits; and 4) the public interests. *Hughes Network Systems, Inc. v. Interdigital Commc'ns Corp.*, 17 F.3d 691, 693 (4th Cir. 1994) (citing *Blackwelder Furniture Co. of Statesville, Inc. v. Seilig Mfg. Co., Inc.*, 550 F.2d 189, 195-96 (4th Cir. 1977)). Although all four factors are relevant, the balance of the hardships (*i.e.*, a comparison of the first and second factors), is most important. *Hughes*, 17 F.3d at 693.<sup>6</sup>

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<sup>6</sup> This case depends on a "substantial question of federal patent law," and therefore this Court should follow the procedural law of the circuit in which it sits, and the substantive law of the Federal Circuit. See *Star Fruits S.N.C., v. United States*, 393 F.3d 1277, 1281 (Fed. Cir. 2005) (citing *Helfgott & Karas, P.C. v. Dickenson*, 209 F.3d 1328, 1333-35 (Fed. Cir. 2000)) (APA action challenging a PTO request for information under 37 C.F.R. § 1.105).

In this case, all four factors favor a preliminary injunction to stay the '167 Reexamination, and the balance of the hardships strongly favors Alcatel. Allowing the '167 Reexamination to continue will significantly and negatively impact Alcatel's rights, while staying the reexamination pending a full hearing on the merits will cause no measurable harm to the PTO, Foundry, or the public.

**I. The Balance Of The Hardships Favors Alcatel**

**A. If A Preliminary Injunction Is Not Granted Alcatel Will Suffer Irreparable Harm To Its Patent Rights**

Defendant's conduct threatens to cause immediate and irreparable harm to Alcatel, for which no adequate remedy at law exists. Proceeding with the '167 Reexamination will severely limit and irreparably affect Alcatel's legal rights.

**1. The *Inter Partes* Proceeding Will Impair Valuable Procedural Rights**

If the law is applied properly, then the '090 patent can only be reexamined under the *ex parte* procedure, which would preclude Foundry from participating in the proceeding after the PTO's first office action issues. In the absence of an injunction, however, the PTO will proceed under the improper *inter partes* route. This will allow Foundry to participate—significantly impairing Alcatel's procedural rights, and increasing Alcatel's burdens and expenses in defending its patent. Moreover, under the improper *inter partes* procedure, Alcatel will be denied a vital procedural right: the right to meet with the patent examiner in person for an interview. Compare 37 C.F.R. § 1.955 (no right to interview in *inter partes* proceeding), with *id.* § 1.560 (patent owner's right to interview in *ex parte* proceeding).



## **2. The *Inter Partes* Proceeding Will Cause Impairment To Alcatel's Substantive Rights in the Patent**

Foundry's participation in the '167 Reexamination will also impair Alcatel's substantive rights. For example, under the *inter partes* procedure, Foundry could protract the final resolution of the reexamination for many years by appealing to the Board of Patent Appeals and Interferences and then to the Court of Appeals for the Federal Circuit. Such action by Foundry would protract the reexamination by at least three years—while rendering Alcatel's ability to exercise its rights under the '090 patent ineffectual, not only as to Foundry, but potentially as to the entire marketplace. Thus, rather than risk a prompt resolution in district court of the validity issues Foundry raises in its reexamination request, Foundry intends to “take out” the effective exercise of Alcatel's substantive rights in the '090 patent by this improper reexamination.

Additionally, the *inter partes* proceeding will require Alcatel to make statements regarding the scope of the '090 patent claims—statements that Alcatel would not have to make if the proceeding were conducted *ex parte*. Such statements will irrevocably become part of the file history of the '090 patent and will be used by courts, including the Delaware District Court in the Underlying Patent Lawsuit, to interpret the scope of the claims of the '090 patent.

The scope of a patent owner's right to exclude infringers is determined by the claims of a patent. *See* 35 U.S.C. § 112(2) (“The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.”); *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc). In a patent infringement suit, the court must determine what claim terms mean to a person of ordinary skill in the art. *See id.* at 1314. The court's determination of the claim terms is then used to determine whether the claims are infringed and whether the patent is valid. In general,

the court may rely on two types of evidence when determining the scope of claim terms: intrinsic and extrinsic evidence. *See id.* at 1317. Intrinsic evidence, however, is more important when determining the meaning of claim terms. *Id.*

One important component of intrinsic evidence is the prosecution history of the patent. *Phillips*, 415 F.3d at 1314. When determining the meaning of claim terms the court “should also consider the patent’s prosecution history, if it is in evidence.” *Id.* at 1314 (quoting *Markman v. Westview Instruments Inc.*, 52 F.3d 967, 980 (Fed. Cir. 1995) (en banc) and citing *Graham v. John Deere Co.*, 383 U.S. 1, 33 (1966)). Therefore, any statements made by Alcatel in a response to an office action in a reexamination will irrevocably become part of the prosecution history of the '090 patent, and will be considered by a court when determining the meaning of the claim terms to a person of ordinary skill in the art. *Id.* at 1317 (“The prosecution history can often inform the meaning of the claim language by demonstrating how the inventor understood the invention and whether the inventor limited the invention in the course of prosecution, making the claim scope narrower than it would otherwise be.”).

In an *inter partes* reexamination, the third-party requestor—Foundry in this case—is allowed to submit comments after the patent owner (Alcatel) responds to an Office Action. 35 U.S.C. § 314. Any subsequent Office Action issued by the patent examiner will inevitably include, or will at least be influenced or set up by, the comments from the third-party requestor. Indeed, under the *inter partes* reexamination rules, Alcatel will not have any right to reply to any arguably inaccurate, misleading, and improper statements by Foundry before the examiner issues another office action. *See* 37 C.F.R. §§ 1.943, 1.945, 1.939. Alcatel’s response to Foundry-influenced Office Actions will necessarily include amendments to the claims and/or arguments addressing Foundry’s comments, which may well have been innocently adopted by

the patent examiner. Alcatel's replies to the Office Actions, including the amendments and/or arguments necessitated by Foundry's comments, will irrevocably become part of the prosecution history of the '090 patent and will be considered by courts, including the Delaware District Court in the Underlying Patent Lawsuit, to interpret the scope of the claims of the '090 patent. Any change in the claim scope of the '090 patent necessitated by Foundry's comments is irreparable because Alcatel's property rights in the '090 patent will be permanently changed.

### **3. Time Is Of the Essence**

The Director must determine whether Foundry's request for reexamination raises at least one substantial new question of patentability within three months of Foundry's request. *See* 35 U.S.C. § 312(a). The Director must therefore decide this issue by November 7, 2006. Furthermore, according to 37 C.F.R. § 1.935, "[t]he order for *inter partes* reexamination will usually be accompanied by the initial Office action on the merits of the reexamination." Alcatel will be given only two months to respond to such Office Action. M.P.E.P. § 2662 (8th ed., 4th rev. Oct. 2005); 37 C.F.R. §1.956. With the deadline for the PTO to decide Foundry's request just over a month away, the harm to Alcatel's property rights in the '090 patent is therefore imminent.

#### **B. A Preliminary Injunction Would Cause Minimal—If Any—Harm To The PTO**

The PTO, in contrast, would not suffer any significant harm from a preliminary injunction staying the '167 Reexamination. The PTO has already had one chance to assess the patentability of the claims of the '090 patent, and found them to be patentable. File Wrapper of U.S. Patent No. 6,874,090, Notice of Allowability mailed June 2, 2004. If this Court grants a preliminary injunction but decides against Alcatel at the final judgment stage, then the PTO will at that point be able to conduct a full *inter partes* reexamination of the '090 patent. To the extent

that the PTO is concerned about the delay, it may simply proceed with an *ex parte* reexamination immediately. See 35 U.S.C. § 302; 37 C.F.R. § 1.520 (“The Director, at any time during the period of enforceability of a patent, may determine whether or not a substantial question of patentability is raised by patents or printed publications which have been discovered by the Director or which have been brought to the Director’s attention, even though no request for reexamination has been filed in accordance with § 1.510 or § 1.913. The Director may initiate *ex parte* reexamination without a request for reexamination pursuant to § 1.510 or § 1.913.”). The PTO, therefore, has no discernable harm if the preliminary injunction is issued.

### **C. The Balance Of The Hardships Favors Granting the Preliminary Injunction**

As discussed above, if the preliminary injunction is not issued, Alcatel will suffer imminent and irreparable harm while the PTO will not suffer any discernable harm. This balance of the hardships is the most important factor when determining whether to grant a preliminary injunction. *Hughes*, 17 F.3d at 693. Because this factor favors Alcatel so strongly, the preliminary injunction could be issued for this reason alone.

## **II. Alcatel Has A Strong Likelihood Of Success On The Merits**

### **A. The PTO Interpretation Of “Original Application” Should Be Set Aside Under The APA**

#### **1. Little, If Any, Deference Is Due to the Official Gazette Notice And The M.P.E.P**

When evaluating the PTO’s interpretation of section 4608 of the AIPA, this court “must decide (1) whether the statute unambiguously forbids the Agency’s interpretation, and if not, (2) whether the interpretation for other reasons exceeds the bounds of the permissible.” *Barnhart v. Walton*, 535 U.S. 212, 218 (2002) (citing *Chevron U.S.A. Inc. v. Natural Res. Defense Council, Inc.*, 467 U.S. 837, 842-843 (1984)).

The PTO is not entitled to *Chevron* deference, because section 4608 of the AIPA is unambiguous. As discussed below, the plain language of section 4608 of the AIPA and the context of the term “original application” in the Patent Act indicate that the term refers to the earliest application to which a patent claims priority.<sup>7</sup>

Moreover, even if the term “original application” were ambiguous, *Chevron* still would not apply. Neither the notice in the Official Gazette notice nor M.P.E.P. § 2611 were subject to any notice and comment rulemaking procedure. The M.P.E.P. “is primarily a set of instructions to the examining corps of the Patent Office from the Commissioner . . . [that] governs the details of the PTO examination[,] is made available to the public, and describes procedure on which the public can rely.” *Patlex Corp. v. Mossinghoff*, 771 F.2d 480, 486 (Fed. Cir. 1985) (“*Patlex IP*”) (internal citation omitted) (quoting and citing *In re Kaghan*, 387 F.2d 398, 401 (C.C.P.A. 1967)). The M.P.E.P. is therefore an internal document for the functioning of the PTO, and should not be given *Chevron* deference. See *United States v. Mead*, 533 U.S. 218, 231-35 (2001). Similarly, the Official Gazette—a weekly publication of the PTO that primarily “reports the reexamination certificates, reissues, plant patents, utility patents, and design patents issued and statutory invention registrations (if any) published on that day” and

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<sup>7</sup> The PTO agrees that the language of section 4608 of the AIPA is clear and unambiguous. In the Official Gazette of January 20, 2004 the PTO addressed comments directed to the *inter partes* reexamination statute. Changes to Implement the 2002 Inter Partes Reexamination and Other Technical Amendments to the Patent Statutes, Off. Gaz. Pat. Office (Jan. 20, 2004). One of the comments suggested that the PTO was constitutionally required to allow *inter partes* reexamination for all patents, even those with filing dates before November 29, 1999. *Id.* The comment further surmised that later congressional modification to the *inter partes* reexamination procedures had implicitly repealed section 4608. *Id.* The PTO expressed disagreement with the comment and stated that the “plain language of [section 4608 of the AIPA] is clear and not ambiguous.” *Id.* If the term “original application” were clear and unambiguous as the PTO claims in the Official Gazette of January 20, 2004, then the PTO’s interpretation of the term in the Official Gazette April 11, 2000 was superfluous.

may sometimes contain proposed or final rules—is generally not the type of publication that Congress intended to have the force of law. M.P.E.P. § 1703; *Mead*, 533 U.S. at 231-235.

At most, the PTO's interpretation of section 4608 of the AIPA is subject to *Skidmore* deference. Under *Skidmore v. Swift & Co*, 323 U.S. 134, 140 (1944):

“[t]he weight [of the USPTO's] judgment in a particular case will depend upon the thoroughness evident in its consideration, the validity of its reasoning, its consistency with earlier and later pronouncements, and all those factors which give it power to persuade, if lacking power to control”

*See Mead*, 533 U.S. at 228.

As discussed below, the PTO's interpretation of section 4608 of the AIPA not only is incorrect, but is based on a plainly erroneous miscitation of the term “original application” in another statute. The thoroughness and validity of the PTO's reasoning in this case is highly deficient. Likewise, as discussed below, the PTO has a history of attempting to grant itself rights with respect to reexamination proceedings which are contrary to the express language of Congress. *See* pp. 17-18, *infra*. Under *Skidmore*, the PTO's interpretation should be given little, if any, deference.

## **2. The Statute's Plain Text and Structure Directly Contradict the PTO's Interpretation**

The plain meaning of section 4608 of the AIPA proves that Congress did not intend for *inter partes* reexamination to be available for patents with effective filing dates before November 29, 1999. “A fundamental canon of statutory construction is that, unless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning.” *Perrin v. United States*, 444 U.S. 37, 42 (1979). In the context of a series of continuing applications, the ordinary meaning of “original application,” refers to the earliest application in

the series—in this case the '754 Application. For example, the *Oxford English Dictionary* offers the following relevant definitions of “original”:

[o]f or pertaining to the origin, beginning, or earliest stage of something; that belonged at the beginning to the person or thing in question; that existed at first, or has existed from the first; primary, primitive; innate; initial, first, earliest;

[h]aving the same origin; sprung from the same stock, or native of the same place;

[t]hat is the origin or source of something; from which something arises, proceeds, or is derived; primary; originative.

OXFORD ENGLISH DICTIONARY, vol. 10, at 933-34 (2d ed. 1989)

As each of these definitions shows, the phrase “*original* application” unmistakably refers to the *first* application filed—not to any subsequent continuation applications. The example of the '090 patent makes that clear. Under the first dictionary definition quoted above, the word “original” is used to designate the “earliest stage of something.” The earliest application in time in the chain of continuation applications leading to the '090 patent is the '754 Application, which was filed on June 13, 1997. This definition, like the others, shows that the ordinary meaning of the term “original application” in section 4608 of the AIPA refers to the earliest priority application, instead of the filing date of a later continuing application.

The second dictionary definition, also shows that the '754 Application is the “original application.” The disclosure of the patentee’s invention was first made in the '754 Application. The '930 Application, as initially filed, was a copy of the '506 Application. 6,070,243 File Wrapper, Continuation Application Mailed June 13, 1997. The '506 Application, as initially filed was a copy of the '754 Application. 6,874,090 File Wrapper, Continuation Application Mailed June 21, 2001; 37 C.F.R. §§ 1.53, 1.78. Therefore, the '754 Application and the '930 Application have the same origin.

Finally, as to the third definition, the disclosure of the invention took place on June 13, 1997, with the filing of the '754 Application. The origin and source of all patent rights in the '090 patent is the disclosure of the '754 Application, as the '090 patent has the same effective filing date as the '754 Application. *See* 35 U.S.C. § 120; 37 C.F.R. §§ 1.53, 1.78.

Other dictionaries lead to the same result. *See, e.g.,* WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY 1591 (3d ed. 1981) ("1 a: of or relating to a rise or beginning: existing from the start: INITIAL, PRIMARY, PRISTINE . . . b: constituting a source beginning, or first reliance."). Under each of these definitions, the term "original application" unambiguously refers to the earliest application to which a patent claims priority. In the case of the '090 patent, the "original application" is the '754 Application, which was filed on June 13, 1997.

### **3. The PTO's Interpretation Is Inconsistent With Other Sections of The Patent Act**

The statutory construction cannon of *in pari materia* provides that "a legislative body generally uses a particular word with a consistent meaning in a given context." *Erlenbaugh v. United States*, 409 U.S. 239, 243-44 (1972); *see also Ratzlaf v. United States*, 510 U.S. 135, 143 (1994) ("A term appearing in several places in a statutory text is generally read the same way each time it appears."). Under this cannon the term "original application" must be interpreted consistently among sections of the Patent Act. Because the PTO's interpretation of "original application" is inconsistent with the only other use of "original application" in the Patent Act, the PTO's interpretation is improper.

The Official Gazette notice of April 11, 2001, was wrong to state that the PTO's interpretation of the term "original application" was consistent with the use of the phrase in 35 U.S.C. § 251. The phrase "original application" does not appear in § 251. Rather, § 251



mentions an “original *patent*”. The only provision in the patent code using the term “original application” is 35 U.S.C. § 121, which states that a divisional application “shall be entitled to the benefit of the filing date of the original application.” *See also id.* (discussing “a divisional application . . . directed solely to subject matter described and claimed in the original application as filed.”) While section 121 does not explicitly define the phrase “original application,” it certainly makes clear that an “original application” is different from, and precedes, a “divisional application.” Indeed, since the 1952 enactment of § 121, it has been well understood that the term “original application” in the patent code refers to the priority application from which a subsequent divisional application claims priority. Where Congress borrows a “term[] of art” such as *original application*, it is presumed to have intended the meaning attached to that term. *Molzof v. United States*, 502 U.S. 301, 307 (1992).

Both a divisional application and a continuation application are later-filed applications whose claim for priority stems from an earlier application. *See* 35 U.S.C. § 121; M.P.E.P. § 201.11 (“The disclosure of a divisional application must be the same as the disclosure of the prior-filed application, or include at least that portion of the disclosure of the prior-filed application that is germane to the invention claimed in the divisional application.”) Because of this derivative priority, neither a divisional application nor a continuation application is allowed to add any further disclosure to the original application. *See* M.P.E.P. § 201.11 (“The disclosure of a continuation or divisional application cannot include anything which would constitute new matter if inserted in the prior-filed application.”) The PTO’s interpretation of “original application,” however, equates a divisional application and the application to which the divisional application claims priority. If the PTO’s interpretation of “original application” were

used in 35 U.S.C. § 121, that section would be rendered meaningless. The PTO's interpretation must therefore be incorrect.

The PTO's interpretation would also make "original application" nearly equivalent to the term "all applications," which is used elsewhere in the AIPA. The AIPA changed the term of patents. AIPA, Pub. L. No. 106-113, §§ 4401-4405, 113 Stat. 1501, at 1501A-557 through 1501A-561. Section 4405 of the AIPA states that the changes to patent term "shall apply to *any application* filed on or after the date that is 6 months after the date of the enactment of this Act" (emphasis added). Congress's use of the term "any application" in this section shows a clear intent to make the changes applicable to all applications. The PTO's interpretation of "original application" in the Official Gazette notice and M.P.E.P. § 2611, however, would nearly obliterate Congress' distinction between "any applications" (denoting past applications to which AIPA's longer patent term applies), and "original applications" (denoting applications whose patents were made retroactively challengeable in *inter partes* proceedings). "[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Russello v. United States*, 464 U.S. 16, 23 (1983). If Congress had wanted to retroactively impose *inter partes* proceedings as broadly as PTO thinks it should have, then Congress would have used the term "*any application*" in section 4608.

#### **4. The PTO's Interpretation Fails Under Any Level of Deference**

The PTO's interpretation is so flatly unreasonable that it fails under *any* level of deference.

Under Federal Circuit precedent, M.P.E.P. provisions must be set aside where they are facially inconsistent with the statutes they purport to interpret. For example, in *Patlex*

*II*, the Federal Circuit held two sections of the M.P.E.P. invalid because they “contradict[e]d” the clear intent of Congress.” *Patlex II*, 771 F.2d at 486-87. The two M.P.E.P. sections held invalid in *Patlex II* created a “rule of doubt” standard for determining whether to order an *ex parte* reexamination. *Id.* at 486. Specifically, the two sections stated that any doubt should be resolved in favor of ordering the reexamination. *Id.* The Federal Circuit held that the M.P.E.P.’s “rule of doubt” standard was inconsistent with 35 U.S.C. § 303, which requires that the Commissioner<sup>8</sup> determine if the references cited in a request for *ex parte* reexamination raised a substantial new question of patentability affecting any claim of the patent. *Id.* at 487.

In *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1424-26, 1429 (Fed. Cir. 1988), the Federal Circuit held that unambiguous statutory language controls over a contrary section of the M.P.E.P. In *Ethicon*, an M.P.E.P. section allowed the Commissioner to stay an *ex parte* reexamination in favor of a trial on the merits involving the patent in a District Court. *Id.* at 1424. The Federal Circuit held that the M.P.E.P. section at issue was contrary to 35 U.S.C. § 305, which required that “[a]ll reexamination proceedings under the section . . . will be conducted with special dispatch within the Office.” *Id.* at 1425-26. As in the present case, Congress did not provide a definition of the crucial term. *Id.* at 1426. But given the unambiguous meaning of the statutory term “special dispatch,” and the absence of contrary legislative history, *id.* at 1426-27, the Court of Appeals invalidated the M.P.E.P. provision without hesitation.

Here, as in *Patlex II*, the PTO has interpreted a statute in a way that contradicts the clear intent of Congress. Much like in *Ethicon*, the PTO’s interpretation arrogates to the

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<sup>8</sup> The position of the Under Secretary of Commerce for Intellectual Property and Director of the PTO (“the Director”) was created in the AIPA at section 4713. The previous head of the PTO was the Commissioner of the PTO (“the Commissioner”).

agency a power that was expressly denied to it by Congress: the ability to perform *inter partes* reexamination of patents claiming priority to an original application filed before November 29, 1999. *Inter partes* jurisdiction is not a balloon for the PTO to inflate and expand at will. Given the plain language and statutory context of section 4608 of the AIPA, *see* pp. 13-17, *supra*, M.P.E.P. § 2611 and the Official Gazette notice must be held invalid.

Furthermore, because the PTO's acceptance of the request for *inter partes* reexamination of the '090 patent is based on an unreasonable interpretation of section 4608 of the AIPA, it should be overturned by this Court. When PTO actions are unreasonable in view of a statute or treaty, the court will not defer to the PTO. *See Helfgott & Karas, P.C. v. Dickenson*, 209 F.3d 1328, 1336 (Fed. Cir. 2000). In *Helfgott*, the Commissioner denied a petition to correct a defect in a PCT [Patent Cooperation Treaty] demand. The district court deferred to the Commissioner's reading of a PCT Rule and granted summary judgment in favor of the Commissioner. *Helfgott & Karas, P.C. v. Lehman*, 47 F. Supp. 2d 425 (S.D.N.Y. 1998). The Federal Circuit, however, reversed, finding that the Commissioner's reading of the Rule was unreasonable and therefore not entitled to judicial deference. 209 F.3d at 1336. In the present case, the Director's acceptance of the request for reexamination of the '090 patent is based on an unreasonable interpretation of section 4608 of the AIPA. In view of *Helfgott*, this Court should not afford any deference to the Director.

**B. The Official Gazette Notice and M.P.E.P. Section Should Be Set Aside For Noncompliance With the APA, and For Violating PTO's Own Rulemaking Requirements**

PTO's noncompliance with applicable procedural requirements constitutes another independent ground for striking down the rules. *First*, the PTO violated the APA by not publishing the rule in the Federal Register and soliciting public comment as required by 5 U.S.C.

§ 553. *Second*, the PTO failed to comply with its own procedural requirements.<sup>9</sup> By allowing reexaminations where Congress has not allowed them by law, PTO has constructively amended 37 C.F.R. § 1.325, which provides that mistakes not affording legal grounds for reexamination will not be corrected in a reexamination. By constructively amending that provision without proper publication, PTO has violated 37 C.F.R. § 1.351, which provides that “[a]ll amendments to the regulations in this part will be published in the *Official Gazette* and in the Federal Register” (emphasis added). As a result, the PTO’s interpretation though improper rule-making should be vacated. *See, e.g., CropLife Am. v. EPA*, 329 F.3d 876, 879 (D.C. Cir. 2003) (vacating rule that was improperly issued without notice and comment in violation of the APA); *see generally Allied-Signal, Inc. v. NRC*, 988 F.2d 146, 150-51 (D.C. Cir. 1993) (explaining standards for determining vacatur of procedurally improper rule).

### **C. Review Is Proper At This Time**

Review of plaintiff’s claims is proper at this time. The rulemakings at issue are final for purposes of the APA. Even if they were not, this suit would fit within well-established exceptions to the finality and exhaustion doctrines. In addition, because this case presents legal issues, and because delay threatens substantial harm, the case is ripe for review. Delaying review would serve no conceivable purpose, and would be contrary to existing law.

#### **1. The PTO’s Interpretation and Implementation of § 4608 Is Final for Purposes of the APA**

Plaintiff challenges an agency decision that is “final” for purposes of 5 U.S.C. § 704. The M.P.E.P. publication constitutes the PTO’s final and definitive interpretation of § 4608. That interpretation constitutes an agency rules of procedure—and as

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<sup>9</sup> *See Rodway v. USDA*, 514 F.2d 809, 814 (D.C. Cir. 1975) (even where APA notice and comment requirements do not apply, agency is required to comply with its own regulations governing rulemaking).

such it is “final” without regard to application in any particular case. *See, e.g., United States v. Storer Broad. Co.*, 351 U.S. 192, 198 (1956) (finding agency regulations reviewable as final agency action, even without particular application against the challenger).

In *Bennett v. Spear*, 520 U.S. 154, 177-78 (1997), the Supreme Court noted two conditions that generally “must be satisfied for agency action to be ‘final’.” Both conditions are met in this case. *First*, the agency interpretations and procedural rules challenged in this case “mark the ‘consummation’ of the agency’s decision-making process.” *Id.* at 178. The M.P.E.P. does not in any way hint that its conclusions are “tentative” or “interlocutory.” *Id.* *Second*, the M.P.E.P. interpretation is a decision “by which ‘rights or obligations have been determined,’” and “from which ‘legal consequences will flow.’” *Id.* The M.P.E.P. interpretation is binding on the PTO and its patent examiners in all requests for *inter partes* examination. *See generally Patlex II*, 771 F.2d at 486 (the M.P.E.P. “governs the details of PTO examination, . . . and describes procedures on which the public can rely.”). The PTO’s action erroneously *grants* those challenging post-1999 continuations of pre-1999 original applications a right to *inter partes* reexamination, and *denies* holders of such patents a right to *ex parte* proceedings. Furthermore, a host of legal consequences stem from the PTO’s erroneous rulings. For instance, designation as an *inter partes* proceeding bars contacts between the patent owner and the examiner that would otherwise be permissible. *See p. 7, supra*. In short, this is final agency action reviewable under the APA.

**2. This Suit Fits Within Well-Established Exceptions to the Finality and Exhaustion Doctrines, Because It Is a Facial Challenge and Because Delaying Review Would Cause Irreparable Harm**

Even if this suit did not concern “final” action under the APA, review would be proper based on several well-established exceptions to the finality doctrine. Those exceptions

likewise make clear that no exhaustion of administrative remedies was necessary as a prerequisite to Plaintiff's suit.

First, finality and exhaustion requirements do not apply because this is a facial challenge to a section of the M.P.E.P. "A party bringing a facial challenge to agency rules or regulations may not need, in certain circumstances, to await final agency action or to exhaust administrative remedies." *Patlex II*, 771 F.2d at 488; *see also Allegheny Ludlum Corp. v. Comer*, 24 U.S.P.Q. 1771, 1776, 1992 WL 355865 (W.D. Pa. 1992) ("federal courts may dispense with the exhaustion doctrine in facial challenges to the re-examination procedures"). In *Patlex Corp. v. Mossinghoff*, 585 F. Supp. 713 (E.D. Pa. 1983) (*Patlex I*), *rev'd in part on other grounds*, *Patlex II*, 771 F.2d 480 (Fed. Cir. 1985), finality and exhaustion requirements were held inapplicable to a plaintiff's challenge of PTO reexamination procedures set forth in the M.P.E.P. and elsewhere. The plaintiff did not "seek to attack the merits" of a particular reexamination proceeding, but rather "challenge[d] the validity of the entire reexamination process." *Id.* at 720. As a result, the plaintiffs were "not required to await final agency action," *id.*, and "the exhaustion doctrine" was held "inapplicable," *id.* at 721.

Second, finality and exhaustion requirements do not apply because delay in review would result in irreparable harm, *see pp. 7-10, supra*, resulting from the PTO's *ultra vires* action, *see pp. 11-19, supra*. The mere burden and expense of having to appear in an administrative hearing do not ordinarily constitute "irreparable harm" excusing compliance with the APA's finality rule. *FTC v. Standard Oil Co. of Cal.*, 449 U.S. 232, 244 (1980). Here, however, Alcatel is not challenging the PTO's preliminary determinations about the legality of Alcatel's conduct or patent. Instead, Alcatel is challenging the PTO's very jurisdiction to convene *inter partes* hearings for post-1999 continuation patents stemming from pre-1999

original applications. Because the PTO's regulation is facially *ultra vires*, the *Standard Oil* rule should not apply. See, e.g., *Leedom v. Kyne*, 358 U.S. 184 (1958) (exhaustion requirement excused where agency acted in excess of jurisdiction).

Third, even if this were not a facial challenge to the PTO's *ultra vires* action, finality and exhaustion requirements still would not apply because of the utter futility of waiting for a jurisdictional determination in Alcatel's particular reexamination proceedings. The right at issue is Alcatel's right not to be subject to *inter partes* proceedings at all. An agency determination about the validity of the PTO's jurisdictional interpretation at the end of the proceeding could not possibly vindicate that right. Moreover, because the agency has already made its conclusive determination as to the interpretation of § 4608, it would be utterly futile for Alcatel to request a redetermination of that decision. See, e.g., *Skubel v. Fuoroli*, 113 F.3d 330 (2d Cir. 1997) (futility exception excuses exhaustion where the agency has already firmly made up its mind).

### **3. The Case Is Ripe for Review Under *Abbott Laboratories***

The Supreme Court has established a two-part test for determining ripeness of suits challenging administrative action. See *Abbott Laboratories v. Gardner*, 387 U.S. 136 (1967). In this case, both factors require a finding of ripeness. *First*, the issues are "fit[] for judicial decision." *Id.* at 149. The interpretation of § 4608 is a purely legal matter, such that further factual development will not be helpful to this Court or to the parties. The same is true of the effect and meaning of the PTO's interpretations of that section in the Official Gazette notice and the M.P.E.P. *Second*, "withholding court consideration" would result in significant "hardship to the parties." *Id.*; see generally pp. 7-10, *supra* (discussing irreparable harm).



### **III. A Preliminary Injunction In This Case Is Not Adverse To The Public Interest.**

The PTO represents the public's interest when examining patent applications or existing patents to ensure that they comply with statutory requirements. At first blush, it may therefore appear that the public is best served by not enjoining the reexamination of a patent. Here, however, that is not the case. The PTO has already examined the application that later issued as the '090 patent and found that the application met the statutory requirements for patentability. Moreover, any member of the public may request an *ex parte* reexamination of the '090 patent, or the PTO can order such a reexamination *sua sponte*. 37 C.F.R. §1.520. *Ex parte* reexamination is applicable to all patents, regardless of the filing date of the "original application" from which the patent issues. *See* 35 U.S.C. § 302. The PTO would have the same opportunity to cancel or limit the scope of the claims of the '090 patent in an *ex parte* reexamination. Either of these alternatives preserves the public's right to challenge the validity of patents, while maintaining Alcatel's right not to have the '090 patent improperly subject to an *inter partes* reexamination.

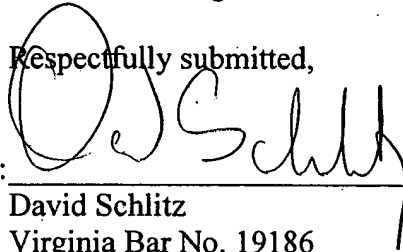
Furthermore, the public's interest is more than adequately represented by Foundry though its challenge to the '090 patent in the Underlying Patent Lawsuit, where Foundry is, in some senses, granted even greater procedural rights than before the PTO. In the Underlying Patent Lawsuit, Foundry can challenge the validity of the '090 patent under any statutory ground using any admissible evidence. In an *inter partes* reexamination, by contrast, the validity of the '090 patent may only be challenged using patents or printed publication. *See* 35 U.S.C. § 312. Foundry, therefore, enjoys a much broader opportunity to challenge the validity of the '090 patent in the Underlying Patent Lawsuit.

The availability of *ex parte* reexamination, and Foundry's challenge to the validity of the '090 patent in the Underlying Patent Lawsuit, protect the public from any harm that could potentially be caused by enjoining the '167 Reexamination.

CONCLUSION

For the foregoing reasons, Plaintiff Alcatel's motion for a preliminary injunction to stay the '167 Reexamination pending a full hearing on the merits should be granted. In the alternative, the court should issue a permanent injunction terminating the '167 Reexamination.

Respectfully submitted,



By: \_\_\_\_\_

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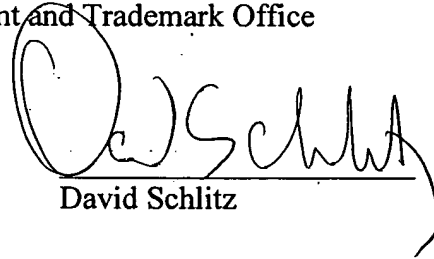
## CERTIFICATE OF SERVICE

Pursuant to Fed. R. Civ. P. 4(i)(1) and 37 C.F.R. §§ 104.2 and 104.12, a true and correct copy of the Plaintiff Alcatel's Motion for Preliminary Injunction and Accompanying Memorandum in Support thereof has been sent by certified mail return receipt requested on this 22nd day of September 2006 to the following:

Civil Process Clerk  
Office of the United States Attorney for the Eastern District of Virginia  
2100 Jamieson Ave  
Alexandria, VA 22314

Attorney General Alberto R. Gonzales  
U.S. Department of Justice  
950 Pennsylvania Avenue, NW  
Washington, DC 20530-0001

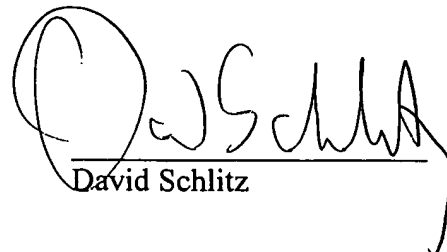
Jon W. Dudas, Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office  
c/o General Counsel, United States Patent and Trademark Office  
P.O. Box 15667  
Arlington, VA 22215



David Schlitz

A courtesy copy of the Complaint and attached Summons in the matter of of the Plaintiff Alcatel's Motion for Preliminary Injunction and Accompanying Memorandum in Support thereof has been hand delivered on this 22nd day of September 2006 to:

Office of the General Counsel  
Room 10B20  
Madison Building East  
600 Dulany Street  
Alexandria, Virginia



David Schlitz